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UNH Center For Venture Research: Women Angel Investors Hampered By Gender Stereotypes

Women Empowered By Strength In Numbers, More Likely To Make Angel Investments

July 20, 2011

DURHAM, N.H. – New research from the University of New Hampshire Center for Venture Research shows that stereotypes about gender affect the investment decision-making of women, even among successful women.

The research by Jeffrey Sohl, director of the UNH Center for Venture Research, and John Becker-Blease, of Oregon State University, is presented in the July issue of the journal "Entrepreneurship, Theory and Practice." It relies on a sample of data from 183 angel investment groups from 2000 to 2006 collected by the Center for Venture Research, which holds the most complete database of angel groups in the United States.

Researchers found that when an angel investment group had a small percentage of women, the group was more cautious about investing. However, when women comprised more than 10 percent of the investment group, their presence became associated with increased investments. The results surprised the researchers.

"At first the results were counterintuitive, since previous research on women investing, in general, shows women to be more cautious investors. Since angel investing involves substantial risk, one would assume that this cautious behavior would also be exhibited in angel investors," Sohl said. "However, our research indicates that when the number of women in an angel group increases, so does their investment activity as angel investors."

The reason for this behavior appears to be based on "stereotype threat." According to this psychological theory, when a stereotype exists about a person, that person will behave in a manner consistent with that stereotype when they are in a situation that highlights, or accentuates, this aspect of their status, whether that is gender, race or ethnicity.

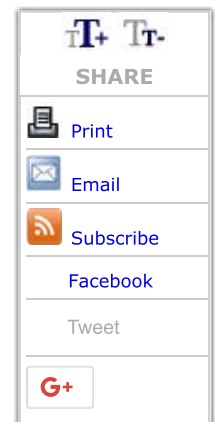
"In the context of this research, this means that when there are few women in an angel group, the stereotype of cautious investing is accentuated. As the number of women increases, there is less of a stereotype -- there are more women so they are more recognized for their ability as investors and less because of their gender," Sohl said.

The research indicates that the formation of women-dominated angel groups should be encouraged as a way to increase investment activity in entrepreneurial ventures. In addition, since social capital also contributes to angel investing -- angels invest in teams of four to five individuals -- and women tend to have more social capital with members of their own gender, the increase in women-dominated angel groups will have a potentially additional positive effect for both entrepreneurs and investors.

According to Sohl, the percentage of women angel investors has remained relatively constant over the last five years with women representing about 15 percent of angel investors.

"We have seen a slight increase in the number of women-owned businesses that are presenting to angel investors since 2006, when the percentage of women entrepreneurs presenting to angels was 13 percent and that has increased to 20 percent in both 2009 and 2010," he said.

The Center for Venture Research has been conducting research on the angel market since 1980. The center's mission is to provide an understanding of the angel market and the critical role of angels in the early-stage equity financing of high-growth entrepreneurial ventures. Through the tenet of academic research in an applied area of study, the center is dedicated to providing reliable and timely information on the angel



market to entrepreneurs, private investors and public policymakers. For more information visit <http://wsbe.unh.edu/cvr> or contact the center at 603-862-3341.

The University of New Hampshire, founded in 1866, is a world-class public research university with the feel of a New England liberal arts college. A land, sea, and space-grant university, UNH is the state's flagship public institution, enrolling 12,200 undergraduate and 2,300 graduate students.

PHOTO

Jeffrey Sohl, director of the UNH Center for Venture Research

<http://www.unh.edu/news/img/JeffreySohl.tif>

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